

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** June 16, 2010  
**POSITION:** Oppose

**BILL NUMBER:** SB 1156  
**AUTHOR:** G. Cedillo

### **BILL SUMMARY:** Heavy Duty Trucks: Grants: Compliance

This urgency bill, which would sunset January 1, 2013, would appropriate \$20 million from the Air Quality Improvement Fund (AQIF) to the Air Resources Board (Air Board) to provide direct grants to specified owners of on-road heavy-duty diesel-fueled motor vehicles servicing the state's ports and rail yards. The grants would assist the truck owners to purchase emissions compliance equipment to meet Air Board drayage truck regulations, as specified. Any vehicle that has already met the drayage truck regulation phase one requirements would be ineligible for funding. The bill would require the AQIF grants to comply with existing Proposition 1B Goods Movement Emission Reduction Program (GMERP) guidelines.

### **FISCAL SUMMARY**

The Air Board estimates it will need \$1.7 million AQIF and 17 half-year positions in 2010-11, \$2.24 million AQIF and 11.5 positions in 2011-12, and \$1.24 million AQIF and 11.5 positions in 2012-13. Specifically, the Air Board estimates a need to update and approve the Air Quality Improvement Program guidelines after holding public workshops, oversee distribution of the \$20 million appropriation and ensure compliance with GMERP guidelines. The bulk of the positions, 10 each fiscal year, would evaluate grant applications, rank projects, inspect applicant vehicles, initiate and oversee contracts with truck owners and award funds.

The Air Board's support cost estimate represents over 25 percent of the total appropriation and reflects the bill's requirement that Air Board staff administer the program. (GMERP funding is currently administered by the local air districts, which conduct the required inspections and oversee contracts with individual vehicle owners.) The bill is silent on administrative position funding; however, since the bill would appropriate \$20 million AQIF to the Air Board, funding for this purpose may be available from the bill's appropriation. Any request for additional resources would be reviewed as part of the annual budget process. We note that the Air Board currently has 10 positions and \$1.7 million AQIF annually to support existing AQIF-funded programs.

### **COMMENTS**

This bill is intended to stimulate the economy by assisting low-income heavy-duty diesel drayage truck owners who are not currently compliant with the Air Board's drayage truck regulation phase one requirements comply with that regulation's phase two requirements. The drayage truck regulation was adopted in December 2007. Phase one of the regulation places specific requirements on drayage trucks operating at the ports in 2011, 2012, and 2013. Phase two of the regulation becomes effective in 2014, restricting operation at the ports to 2007 model year and newer vehicles.

The Department of Finance is opposed to this bill for the following reasons:

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Analyst/Principal (0623) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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## AUTHOR

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### COMMENTS- Continued

- The bill is not needed to ensure that a sufficient number of vehicles comply with the drayage truck regulation to service the ports. As of May 4, 2010, the Air Board indicates there were over 15,000 California registered phase one compliant trucks (and over 51,000 out-of-state compliant trucks). The ports' current demand is about 14,000 drayage trucks statewide.
- Providing funding to truck owners not currently in compliance with phase one of the regulation is inconsistent with the state's policy of not funding compliance with regulations already in effect.
- The bill likely would fail to provide the intended financial assistance to low income drayage trucks owners because even with the state's financial assistance those owners may be unable to obtain loans to provide the required matching funds. Adherence to existing GMERP guidelines, as required by the bill, would require small-scale drayage truck owners to provide between \$30,000 to \$40,000 in matching funds which they may not be able to obtain.
- The bill is inconsistent with the Air Board's existing AQIF expenditure plan, which is designed to support deployment of the next generation of advanced technology vehicles and equipment just reaching commercialization. This bill would redirect to compliance efforts a minimum of one-half of the \$40 million AQIF budgeted in 2010-11 for the commercial roll-out of zero and near-zero emission vehicle technologies, negatively impacting California companies that are expecting these funds to be available to support their program startups.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department		LA	(Dollars in Thousands)						
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
3900/Air Res Bd	SO	No	C	\$1,700	C	\$2,240	C	\$1,240	3119
3900/Air Res Bd	SO	No	A	\$20,000		--		--	3119
<u>Fund Code</u>	<u>Title</u>								
3119	Air Quality Improvement Fund								